

### CONCLUSIONS TO CHAPTER 3

Any crisis has a negative impact on the strength of the national currency. Therefore, a balanced exchange rate policy ensures the supporting effect of the national currency, and in particular, the position of national producers (export and import facilities). Currency interventions are a crucial means to influence the volatility of the foreign exchange market. There exist different types of currency regulation regimes, each with its own set of pros and cons. Selecting the appropriate currency regime involves considering various factors such as the characteristics of the domestic financial market, the level of economic growth, and the country's overall development. In times of crisis such as during a war, fixing the exchange rate is often the most appropriate solution.

The hryvnia has experienced devaluation several times due to various reasons. In 1998-1999, factors such as the Asian financial crisis, GDP fall, trade balance deficit, and government policies caused instability, uncertainty for investors, and pressure on the exchange rate. However, it stimulated export and increased foreign currency reserves. From 2000-2004, Ukraine achieved macroeconomic stability despite political instability, which affected the hryvnia. In 2008-2009, the global financial crisis, world metal price drop, and capital outflow caused significant fluctuations in the exchange rate. Since 2014, the hryvnia has been undervalued due to three crises. At the beginning of the war in Ukraine, the Central Bank of Ukraine fixed the exchange rate. As a result, the float-managed exchange rate regime had both positive and negative consequences such as making export goods more competitive, improving the investment climate, putting pressure on foreign reserves, and causing inflationary pressure. The fixed exchange rate can have short-term positive effects during deep shocks such as war.

Despite facing difficult times, including the ongoing war, Ukraine has the opportunity to determine the direction of its economic expansion and strategic integration. Our suggestion is to invest in national production and the real sector, particularly the domestic market. Niche industries such as high-tech airplane production, oil pipelines, railway locomotives, wagons, and cars should be

prioritized, along with the development of the reprocessing industries to produce clothing, food products, and other goods. With the events of 2022 and assistance from around the world, Ukraine has a unique opportunity for reconstruction, rebuilding, and investing in a new type of economy.

In this scientific research was built the VAR model and additionally System Dynamics model. Based on the results, it can be inferred that the REER, which is the main competitiveness indicator, is expected to decline at the start of the year, making exports more appealing. However, it is predicted to increase in the second quarter, indicating a decrease in the country's trade competitiveness, followed by slight fluctuations. Inflation is anticipated to increase significantly initially and then decrease, albeit with some fluctuations. The net export dynamics display a logical correlation with the REER - a decline in REER makes exports more attractive, leading to an increase in net exports, and vice versa. The policy rate variation is associated with the alteration in reserves. The policy rate is projected to rise, which means that the volume of reserves will decrease since the exchange rate is fixed.

Based on the analysis and modeling conducted, the impact of currency policy on the country's trade competitiveness has been systematized. The necessity for Ukraine to return to a floating currency exchange rate after the end of the war is substantiated. At the beginning of the full-scale invasion in February 2022, the National Bank of Ukraine was compelled to fix the exchange rate to avoid panic and support the country's economy and financial activity. Such actions yielded positive results in the initial months of the war. However, in the long-term perspective, fixing the exchange rate could lead to a deepening of the country's economic problems. A floating national currency exchange rate more flexibly responds to market conditions, which can contribute to enhancing the competitiveness of exports and attracting foreign investments.